

AT&T

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NEWSBRIEFS

RESTRUCTURING NEWS: AT&T announces guidelines for management staffing. (Story page 7.)

AT&T PLANS TO PETITION CONNECTICUT REGULATORS to offer local telephone service, as well as long-distance communications, to businesses and consumers in Connecticut, starting early next year. The company also plans to give consumers a choice for local service in other markets around the nation, as local laws and regulations permit it to do so.

AT&T TOPS THE HARRIS POLL'S LIST of this year's 20 best companies. The company moved up from third place last year, edging out IBM, General Motors, Microsoft and General Electric, respectively.

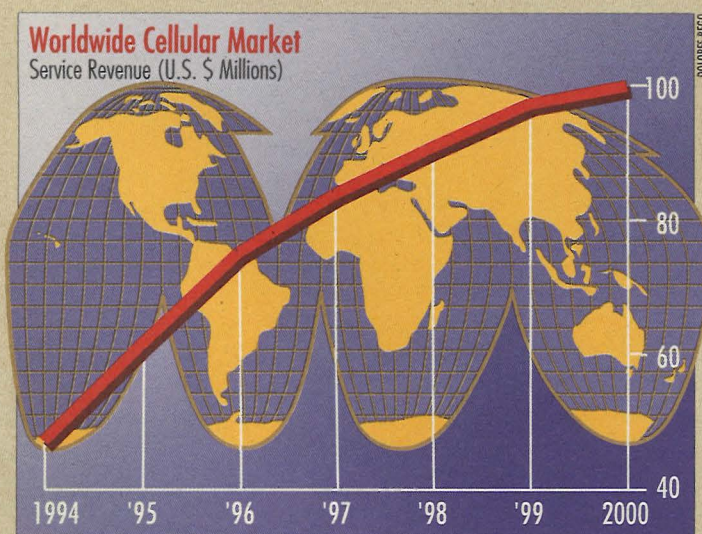
ARUN NETRAVALI HAS BEEN NAMED vice president, Research, AT&T Bell Laboratories. A pioneer in digital video research, Netravali succeeds Nobel Laureate Arno Penzias, who has been named to the newly created position of vice president and chief scientist.



VIC PELSON, chairman, AT&T Global Operations Team and a member of the company's board of directors, plans to retire at the end of the first quarter of 1996. Pelson will remain with AT&T during the restructuring transition period to assure that each of AT&T's businesses meets its commitments to customers and financial targets.

MARKETPLACE

Statistics That Are Shaping AT&T's Future



INSIDENEWS

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The executives who will lead the "new" AT&T and the Systems and Technology company, from left, Alex Mandl, Rich McGinn, Henry Schacht and Bob Allen. Lars Nyberg, not pictured, will lead Global Information Solutions.

Allen Names Top Leaders

By PAT RUSSO

JUST 22 DAYS AFTER announcing AT&T's restructure into three separate companies, Chairman Bob Allen designated the executives who will lead the "new" AT&T and the new communications systems and technology company.

During an Oct. 12 press conference, Allen introduced Henry Schacht (pronounced "shocked"), a long-time member of the AT&T board of directors, as chairman and chief executive officer (CEO) of the communications systems and technology company. Rich McGinn will become the company's president and chief operating officer. At present, he is CEO, AT&T Network Systems Group.

Allen, who will remain chairman and CEO of AT&T, designated Alex Mandl as AT&T president and chief operating officer. Mandl is currently CEO, AT&T Communications Services Group.

Lars Nyberg, who is leading an aggressive turnaround of the computer unit, Global Information Solutions, will remain as its CEO. Once GIS becomes an independent company, he will become chairman of the board.

The primary distinction between the roles of chairman and president is their emphasis.

The chairmen and chief executive officers—Allen and Schacht—working with their respective boards, will take active leadership in setting the broad strategy and direction for their companies. Each will partner with his president/chief operating officer on strategic changes and critical operating and resource allocation issues that support each company's strategic

direction. Mandl and McGinn, as presidents and chief operating officers, will concentrate their efforts on the day-to-day operations of the large and complex new companies.

Schacht is working with the AT&T board to assemble a strong board of directors for the systems and technology company. Schacht and McGinn will officially assume

See LEADERSHIP, page 6

Charges Aside, Profits Climb in Third Quarter

By ED LOPEZ

EXCLUDING CHARGES, AT&T's third-quarter net income increased by nearly 12 percent as the company reported strong growth in long-distance calling volumes, revenues and profit margins.

Sales of communications products increased more than 16 percent and revenues from financial services ballooned by 18 percent. However, revenues from network equipment slipped 6 percent and Global Information Solutions (GIS) posted an operating loss of \$169 million excluding charges.

Because of a \$1.6 billion charge associated with GIS, net income fell by 75 percent in the third quarter.

The charge reduced AT&T's after-tax earnings by \$1.17 billion, or 74 cents per share. It covers separation pay and other related costs, closing of facilities, asset write-downs and other items.

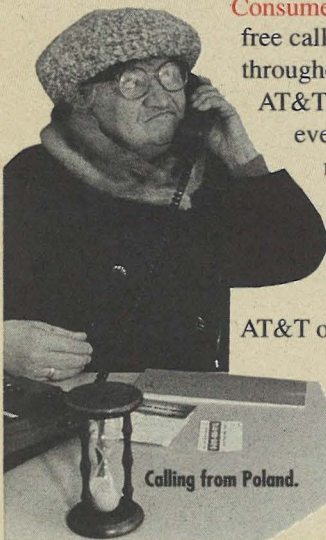
Excluding the GIS-related charge, net income was \$1.43 billion, or 90 cents per share.

"This quarter's charge aside, our profits reached an all-time high on solid revenue growth,"

See OPERATING, page 11

AROUND AT&T

CALL THE USA



Consumer Communications Services offered free calls to thousands of people in 13 cities throughout 11 countries. "Call The USA!" is AT&T's first global customer recognition event that lets people place free, three-minute calls to their relatives and friends in the United States. The calls were offered through AT&T USADirect Service In-Language, a service that lets callers speak to an AT&T operator in the United States in their preferred language. Calls were given away at calling center locations in China, Colombia, Dominican Republic, Ecuador, Ghana, Guatemala, Kenya, India, Philippines, Poland and Russia.

ONE-STOP CALLING

Business Communications Services has announced 800 Multimedia, a digital toll-free service that allows MEGACOM 800 service customers to integrate voice, data and video applications on a single 800 number without affecting the setup, features or pricing of existing voice services. 800 Multimedia offers the full features of AT&T's WorldWorx 800 service, including the ability to integrate voice, data and video on one call over a single toll-free number with customized routing. In addition, 800 Multimedia enhances those features with the ability to price voice and high-speed data calls at different rates. For more information on 800 Multimedia and WorldWorx 800, call 800-828-WORX.

VIDEO DIRECTORY

Business Communications Services' Gateway Services—creator of AT&T's On-line Directory of 1-800 Toll Free Services—will launch an on-line directory of internal video conference and multimedia users during fourth quarter 1995. The initial service will list all AT&T executives with desktop or conference room video conferencing capability in their offices or homes. Future versions will include all employees with desktop video service. Access to the service will be available to those listed in the directory. AT&T employees with video service who would like to be included in the directory, or who want more information on these offerings, should contact Marjorie Wormser at 800-556-0765 or attmail!mwormser.

EASY ARCHIVING

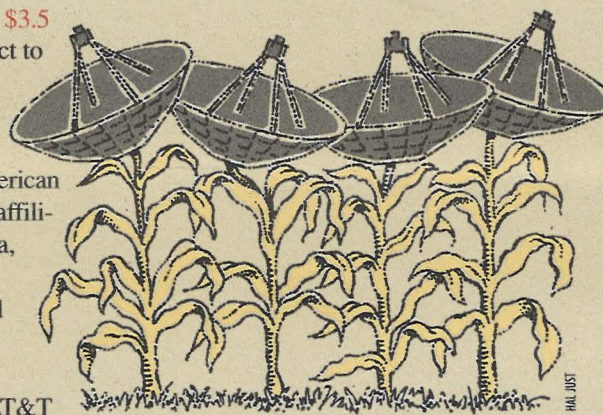
Business Communications Services and Aegis Star Corp. have announced AT&T Easy Archiving, a breakthrough storage and retrieval service for E-mail and electronic data interchange (EDI). Powered by the global messaging capabilities of AT&T EasyLink Services, AT&T Easy Archiving is the only service that employs a unique indexing system that accesses documents within a database regardless of size in approximately 15 seconds. It meets the most recent government regulations on archiving required of companies in designated industries. AT&T Easy Archiving will be useful in manufacturing, health care and transportation industries and for legal, financial and government institutions required by law to store non-tamperable documents in third-party systems for a designated period.

FLEXIBLE ROUTING

Business Communications Services has introduced Carrier Selective Routing, the first flexible routing feature that lets telecommunications administrators choose the correspondent carrier for termination of global switched transit traffic. Previously, calls routed from one country to another through the United States could only be delivered automatically to the dominant carrier in each country.

FARM BUREAU UPGRADES NETWORKS

Tridom won a \$3.5 million contract to upgrade satellite communications networks for American Farm Bureau affiliates in Georgia, Missouri, Tennessee and Texas. The upgrades will include new AT&T Tridom Clearlink 400



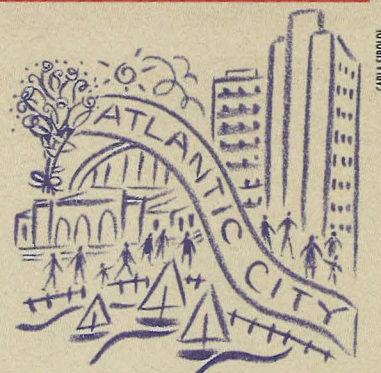
Very Small Aperture Terminals (VSAT) and AT&T Tridom's Aegis network management software. The hardware and software will help the American Farm Bureau affiliates improve the processing of policies and claims by improving the efficiency and speed of their data communications. The new VSATs will have the capability to interconnect to affiliate equipment at 56 kilobits per second (Kbps) versus 9.6 Kbps for the old system. In addition, the Clearlink 400 VSAT terminals help streamline the system by allowing direct, high-speed connections to local area networks, including token ring and ethernet.

UNITED SATELLITE OFFICES

With the help of Business Communications Services (BCS), United Airlines is providing a workplace alternative for reservation center employees who face lengthy commutes to work. The airline recently opened neighborhood satellite offices (NSOs) outside of Los Angeles, San Francisco, Chicago and Indianapolis, allowing agents in these cities to work closer to home. The centers use BCS's new Remote Agent technology, which combines call routing capabilities based on the AT&T network with custom call routing commands from a business's on-site telephone switch. With Remote Agent capability, United can identify reservation agents across multiple offices who are free to take a call. Customers dialing United's toll-free number from anywhere in North America are automatically routed to the first available agent, no matter where the agent is located.

CORDLESS & STATIC-FREE

Consumer Products has announced a 900 megahertz digital cordless telephone that offers an extended calling range and virtually static-free and interference-free conversations. The AT&T Cordless Telephone 9300 can operate at a longer range than most currently available cordless phones because it uses a higher power output now permitted by the Federal Communications Commission. In some instances, users of the AT&T 9300 handset can make or receive phone calls from a neighbor's house or apartment. The shorter wavelength at 900 megahertz allows the digitized voice signals to pass through walls, trees, bushes and other physical barriers more easily than is possible for those of most other cordless phones that operate at 46-49 megahertz. The digital encoding of voice signals makes it almost impossible for conversations to be picked up by other users of cordless phones nearby, or by two-way radios or scanners. The phone is available at AT&T Phone Center stores for \$279.99, and at select national retail chains. For more information, call 800-222-3111.



MISS AMERICA POLL

America: Do you support the Miss America swimsuit competition? The answer to that question at this year's pageant was yes by a margin of almost four to one. But, it was AT&T MultiQuest 900 services that handled the calling volume that enabled pageant organizers to report the results by the end of the broadcast. In the first 90 minutes of the show, close to a million calls were processed through AT&T's 4ESS electronic switch office in Omaha, Neb. West Interactive Corp., Omaha, one of the country's foremost providers of interactive call processing, selected AT&T for the not-so-skimpy assignment.

XEROX CONTRACTS

Xerox Corp. has signed two, five-year contracts with AT&T Business Communications Services (BCS) valued at \$157 million for worldwide, long-distance voice and data communications services. Under the terms of the first contract, valued at \$24.5 million per year during the next five years, BCS will provide Xerox with its Virtual Telecommunications Network Services, a custom-designed integrated voice and data offering. The second agreement covers additional long-distance services for the document management firm, and is valued at \$7 million annually over the five years. BCS will provide the services for the Xerox "Intelnet" internal communications network, as well as a variety of toll-free 800 services. In addition, AT&T global connections will link the Xerox international offices with its headquarters in Stamford, Conn., and manufacturing facilities in Rochester, N.Y.

SOCCER SPONSORSHIP

AT&T has been selected as the exclusive telecommunications sponsor of Major League Soccer (MLS) in the United States. The league formed in 1994 and will officially kick off next April with teams in 10 U.S. cities. In a four-year agreement, AT&T will receive the exclusive telecommunications promotional rights to MLS, as well as on-field signs, game program advertising, television commercial time and on-screen identification during MLS broadcasts on ABC, ESPN and ESPN2. AT&T joins nine other corporate sponsors, including Anheuser-Busch, Kellogg, Nike and Reebok.



MULTI-TIERED SERVICES

Global Information Solutions (GIS) has announced Enterprise System Support, a global, multi-tiered services program that integrates system support requirements of various customer operational environments—from the least critical to mission-critical—into well-defined service tiers. The program integrates on-site and remote support services into three tiers—standard, enhanced and premium—to offer customers flexibility in choosing support tailored to their individual business needs. Enterprise System Support is available for all GIS systems and for a range of third-party products supported by the company.

TARGET: GROWTH 2005**CSG Strategy Targets Emerging Telecommunications Services**

Alex Mandl tells CSG employees that the new strategy will redefine the services business.

BY SUZANNE SIDHU

DURING THE NEXT 10 years, the Communications Services Group (CSG), the core of the "new AT&T," expects to journey "a long distance from long distance."

That's what Alex Mandl, currently executive vice president and chief executive officer, CSG, told CSG employees at an all-employee broadcast Oct. 12. Just hours earlier he had been named president and chief operating officer-designate of the

"new AT&T" by Chairman Bob Allen, who will be chairman and CEO of the new company.

Joined at the broadcast by the members of the CSG strategic leadership team, Mandl presented *Target: Growth 2005*, a strategy which he predicted would "radically change how we define the business, what customers we'll serve, what markets we'll enter and which investments we'll make."

Mandl noted that the implications of the new strategy may be as momentous as the implica-

tions of restructuring have been. "The strategy goes to the heart of what we want to be," he said. "It helps put restructuring in perspective."

How the Business Will Change

Customers will expect end-to-end service for all their information needs, Mandl said.

"AT&T services will include communications and on-line information and entertainment services, as well as electronic shopping. Customers will use our services, such as the Universal

Card, to make electronic payments."

As emphasis shifts to these emerging telecommunications technologies, the company will offer services tailored to the needs of individual customers. Though customers may be fewer in number, they will buy even more services from AT&T, creating robust revenues.

"Today, AT&T is a \$75 billion business," Mandl said. "As the new AT&T, the services busi-

"To succeed in the future, we'll have to lead in a global information industry."

—Alex Mandl

ness will have revenues of more than \$50 billion. Before long, though, I expect that revenues for the new AT&T will match today's levels. But I also expect—and this is the important distinction—that long-distance will account for only about half of those revenues."

A Strategy to Meet the Future

Developed several months ago and endorsed by the board of directors in early September, *Target: Growth 2005* was unveiled just weeks ago to CSG officers and directors.

At that conference Allen told the managers, "We can hunker down in our traditions, or we can confront—today—the full measure of what the future portends."

"With this strategy, we clearly have opted to face the

future. We can't predict the outcome of the continental shifts we're about to experience. But we can prepare for whatever comes our way."

The Changing Industry Landscape

What's coming our way is competition, Mandl told CSG employees.

Regional Bell Operating Companies have end-to-end capability, direct access to the home, lower costs, political clout, billing and a valuable brand in their regions. Cable companies have access to the home as well. Software companies like Microsoft could expand on-line services into full communications services. Global alliances "may have us competing with the likes of France Telecom in Paris, Texas as well as in Paris, France," Mandl said.

At the same time, technology continues to combine media and blur the boundaries between industries. And in their hunger for anytime, anywhere communications, customers are fueling the changes.

"To succeed in the future," Mandl said, "we'll have to lead in a global information industry. We will deliver long distance, but won't be defined by it."

Making it Work

Mandl cautioned employees that the new strategy could only work with their commitment.

"The strategy has the endorsement of the people who will lead the new AT&T," he said. "But you are the people who will run the new AT&T. And we need your excitement and commitment if we're to get where we want to be."

"The times may be uncertain, but our opportunities are not. Restructuring equips us for the new emerging age. The strategy sets our purpose. The final step is up to us; we get to invent the future." ■

Key CSG Executives Announced

AT&T ANNOUNCED ON Nov. 2 a series of executive appointments in key operating units of the Communications Services Group, which will become the core of the "new" AT&T when the restructuring is completed by Jan. 1, 1997.

As announced previously, AT&T Chairman Bob Allen will remain chairman and chief executive officer and Alex Mandl will become president and chief operating officer of the services company, which will retain the AT&T name (see "Allen Names Top Leaders, page 1). The executives named Nov. 2 will be the "new" AT&T's senior operating heads. All will report to Mandl.

The appointments, which are designed to make the services

company even more responsive to customers and better able to focus on growth opportunities, are as follows:

Pier Carlo Falotti was named executive vice president and head of AT&T's international operations. Falotti, who currently leads AT&T's operations in Europe, the Middle East and Africa, will assume responsibility for all the company's communications services operations outside the United States.

Before joining AT&T in 1994, Falotti spent two years as president and CEO of The Ask Group, a large California-based software company. Prior to that, he had a 23-year career with Digital Equipment Corp. Europe. He is based in Brussels, Belgium.

Gail McGovern was named executive vice president of the Business Markets Division. McGovern is currently vice president and general manager for Business Services. She will lead AT&T units serving businesses with extensive needs for communications and information services.

McGovern began her AT&T career in 1974 with the former Bell Telephone Company of Pennsylvania as a computer programmer. She moved to AT&T in 1980 and has held senior positions in sales, marketing, product management, operations and strategic planning.

Joe Nacchio was named executive vice president of the Consumer and Small Business Division. Nacchio, who currently

heads AT&T's Consumer Communications Services unit, will have responsibility for the full range of AT&T offers directed to consumers and to the neighborhood businesses that are the lifeblood of U.S. communities. Nacchio joined AT&T in 1971 and has held senior positions in network operations, engineering, marketing and sales.

John Petrillo was named executive vice president of Strategy and New Offer Development. Petrillo, who currently heads AT&T's Business Communications Services unit, will be responsible for overall business strategy and will continue to lead development of the company's on-line service and electronic-messaging businesses. Petrillo joined AT&T in 1971 and has held senior positions in human resources, operations, marketing and sales.

Ron Ponder was named

chief information officer and executive vice president of the Service Operations Division. Ponder, who is currently senior vice president and CIO, will assume added responsibility for product management and customer service, in addition to network operations and systems and development. Ponder joined AT&T in 1993. Prior to that, he was chief technology officer for Sprint Communications and chief information officer for Federal Express.

In addition, Steve Hooper will remain president and CEO of AT&T Wireless Services (formerly McCaw Cellular Communications), David Hunt will continue as president and CEO of AT&T Universal Card Services, and Victor Millar will continue as president and CEO of AT&T Solutions, the systems-integration and outsourcing business formed earlier this year. ■



Alliance members and guests from around the world came to New York last August to learn about success in the global marketplace. Here, some of those members proudly display their sign outside the window of NBC's Today Show.

Alliance Preps Members For Global Success

BY OLLIE HARTSFIELD

THE GRAND BALLROOM OF the New York Hilton Towers filled with more than 3,000 AT&T employees and their guests who had gathered in New York City. As people took their seats, flashes of multicolored African dress could be seen amid corporate business attire. The roar of the crowd quieted to a low hum as the conference moderators took the stage. "Welcome, Alliance family," said the moderator.

The annual National Professional Development Conference of the Alliance of Black Telecommunications Employees, Inc. had begun.

Ready for the Challenge

Throughout the three-day conference, the workshop leaders and speakers continually welcomed conferees—and challenged them. The challenge: to become major players in the "global game."

"To maintain our competitive edge, we must learn the rules, adapt our game plan and acquire the skills necessary for success in the global marketplace," said Jesse Brooks, national president of The Alliance.

For the next three days, conferees heard perspectives on success from both inside and outside the company. Melvin Van Peebles—actor, director, writer and stock market analyst—shared some of his experiences in Hollywood and on Wall Street to demonstrate the flexibility and resourcefulness needed to be successful. Frank Coleman, president, AT&T South Africa, told the audience that being successful in the current competitive environment means having a vision of what you want to be, knowing your business and knowing that you can't do it alone. "Be receptive to learning from others," Coleman said. "Believe in yourself and maintain your confidence even when others don't."

Joe Nacchio, president, AT&T Consumer Communications Services, spoke about how diversity can contribute to business success. "Diversity doesn't mean everybody does their own thing," said Nacchio. "Diversity means everybody works together to create a new thing. Diversity doesn't work until everybody realizes they are sailing on the same ship."

Facing the Issues

The Alliance tapped into the affirmative action debate sweeping the country by holding a symposium to discuss the issues. Arthur Fletcher, a presidential candidate and a member of the U.S. Commission on Civil Rights, outlined the history of the affirmative action programs he is credited with developing. African-American leaders from civil rights organizations, local business and the media presented their views, both for and against, and took questions and comments from the audience.

One high point of the conference came when The Alliance unveiled a bronze bust of Lewis Howard Latimer (1848-1928), a distinguished African-American scientist who helped obtain the patents for the first telephone. Latimer's granddaughter, the 81-year-old Dr. Winnifred Latimer Norman, was on hand for the unveiling, and thanked AT&T and the Alliance for formally recognizing the part Latimer played in telecommunications history. Latimer developed the sketches for Alexander Graham Bell's telephone and helped file the patents for the invention—just hours before another inventor submitted patents for his version of the telephone. The Alliance partnered with AT&T to have the bust made in honor of Latimer's contributions. The bust will be placed on permanent display at the AT&T Learning Center in Basking Ridge, N.J.

Preparing for the Future

A unique feature of annual Alliance conferences is the focus on the professional development of youth as well as adults. This year approximately 200 youth—the children and young relatives of Alliance members—toured the United Nations, the New York Stock Exchange and NBC Broadcasting studios in connection with workshops on finance, communications and computer technology. The experience was a memorable one. Kelly Bodie, 12, met new friends she still calls, and learned how to manage money so she can go to college and buy a car some day. Her 11-year-old sister, Ashley, got to log onto the Internet she had heard so much about. And, she said, "I remember someone telling us never to give up." ■

AT&T Offers Paradyne Subsidiary For Sale

AT&T ANNOUNCED IT IS seeking offers from other companies for the purchase of AT&T Paradyne, based in Largo, Fla. Paradyne produces and develops products and licenses technologies providing network access for multimedia communications.

The technologies it offers include its recently announced *Globespan* transceivers that provide high-speed access to global networks for applications such as Internet access and video-on-demand.

AT&T Paradyne, originally acquired in 1989, has annual sales of approximately \$300 million in more than 90 countries and a workforce of about 1,300.

"This sale will position Paradyne to market its leading-edge technologies in multimedia network access to the widest possible customer base in the future," said John Berndt, president, AT&T Multimedia Ventures and Technologies. "By separating from AT&T, Paradyne avoids pos-

sible conflicts in selling to AT&T's competitors, yet AT&T will still have access to Paradyne's current and future products and technologies as a customer."

According to Berndt, AT&T anticipates developing a preferred supplier relationship with Paradyne.

During the past year, Paradyne restructured its business, moving from an overall communications solutions provider to a supplier of products and technologies for other companies that provide solutions. The subsidiary focused its efforts on network service providers and commercial end users.

As part of those efforts, Paradyne moved approximately 750 employees in service and sales positions to AT&T Global Business Communications Systems and eliminated approximately 225 jobs.

The offering and subsequent inquiries will be handled by Morgan Stanley & Co. Inc. ■

Consumers Prefer AT&T For Local and LD Service

ALMOST 50 PERCENT OF U.S. households would select AT&T as their carrier for combined long-distance and local phone service, according to a recent survey by the Yankee Group. The Boston-based market research firm conducts an annual survey of consumers' attitudes and adoption of telecommunications products and services.

Of the 2,000 consumers polled, 47.9 percent said they would most trust AT&T to provide their local and long-distance service. Ameritech came

in second with 5.3 percent.

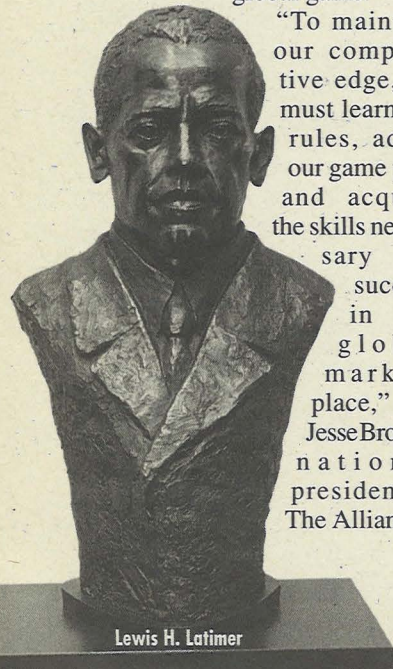
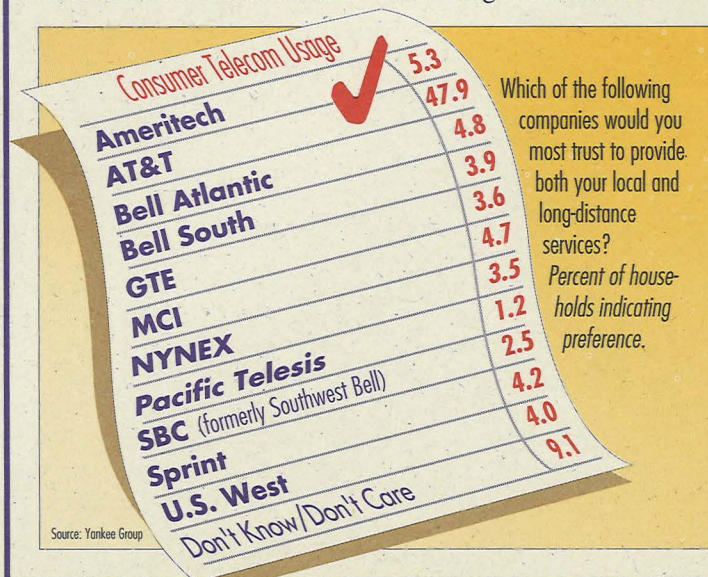
The survey also found:

- More than 19 million households changed their long-distance company in the past year.

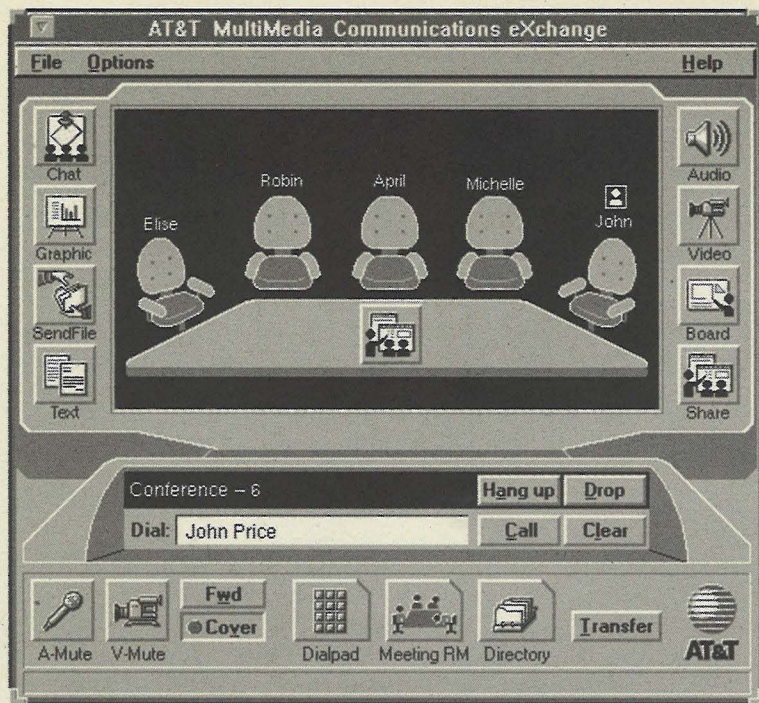
- If a 10 to 15 percent discount were offered in local service, 68 percent of consumers would change their local service provider.

- Thirty-three percent of respondents subscribe to long-distance calling plans.

- 10 percent of households placed an intraLATA call using an access code.



Lewis H. Latimer



The "meeting room" in the MultiMedia Communications eXchange Server makes spontaneous meetings easy. The server combines multimedia calling features with collaboration tools.

GBCS Blends Data And Voice Networks

BY ED LOPEZ

AT MOST COMPANIES, voice and data networks are as separate and distinct as two cars traveling in opposite directions along a narrow, country road.

Seeking to radically change that model, AT&T Global Business Communications Systems (GBCS) has embarked on a new strategy to bring the best of both the data and voice worlds to customers who want the advantages of multimedia networks while protecting existing investments in equipment.

The strategy goes beyond voice/data integration to encompass a complete "turnkey" solution for customers, including professional services, partnerships with other companies, maintenance and support, infrastructure, as well as financing and provisioning.

"Clearly, customers are telling us they envision voice and data networks ultimately evolving to become new multimedia networks, but just as clearly they want new solutions to work seamlessly with the networks they have today," said Pat Russo, president, GBCS.

New Server is Key

A key element in melding separate voice and data networks is the AT&T MultiMedia Communications eXchange Server (MMCX), which GBCS unveiled at a news conference in New York Oct. 30.

The server allows workers on a Local Area Network (LAN) to use familiar office telephone features—such as conferencing and call transfer—on multimedia calls involving voice, data, image and video. The server works with existing voice and data networks, allowing companies to add multimedia communications when and where it makes sense.

During a trial of the MMCX Server, restaurant designers at McDonald's Corp. used it to enable remote work collaboration and share applications, such as a sophisticated CAD/CAM package, via simultaneous voice, data, image and video communication.

"Being able to see each other and hear each other while sharing files at the same time, and add participants spontaneously, boosted the productivity of our design team," said Pat Krause,

director of network services for McDonald's.

Several companies have committed to delivering products that will work with the MMCX Server, including internetworking companies Bay Networks, Cabletron, Cisco and 3Com, workstation vendors Hewlett-Packard and Sun Microsystems, and software vendor InSoft.

GBCS also plans to evolve its *DEFINITY* Communications System well beyond its traditional role of providing voice call features and voice mail. In its expanded role, the system will also function as a telephone feature server on a LAN and evolve to support real-time multimedia calling and messaging as well as technology based on Asynchronous Transfer Mode (ATM), which can handle very high data speeds.

Changing Customer Perceptions

As it looks toward the future, GBCS is seeking to alter the way companies now view communications so that they can broaden their capabilities.

The *DEFINITY* system has been renamed the *DEFINITY* Enterprise Communications Server to alter the perception of the PBX (Private Branch Exchange)—the equipment that controls and routes internal and external calls at businesses—from "the box in the closet" to something that resides and functions transparently on a LAN.

With its products and services, GBCS wants to provide a

AT&T Gets Flexibility Through FCC Ruling

BY OLLIE HARTSFIELD

THE FEDERAL COMMUNICATIONS Commission (FCC) voted unanimously Oct. 12 to end AT&T's status as a dominant carrier in the domestic services market. With that decision, the commission removed the extra price regulations imposed on AT&T since 1980.

As a dominant carrier, AT&T was forced to wait as long as 45 days to change its prices or start new discount plans. Competitors like MCI and Sprint only needed to wait one day. The extra regulations gave competitors a chance to study AT&T's price plans and then introduce similar or lower price plans before AT&T's could go into effect. "We were stifled in our ability to bring new prices and services into the marketplace," Gerry Salemme, vice president, AT&T Regulatory Affairs, told Newark's *Star Ledger*. "It allowed our competitors to take pot shots at us, slow us down, play copycat."

Now, AT&T will have the same flexibility in offering new services as its competitors, and will be subject to the same rules. "It's a level playing field," says Salemme.

AT&T filed its most recent Motion for Reclassification in 1993. After the filing, scores of AT&T people were set into motion: meeting with FCC commissioners, gathering data for legal documents, and soliciting input from consumer groups, customers and nearly 40 members of Congress—all in an effort to show the FCC that AT&T no longer has the market power to control the long-distance marketplace.

In voting to reclassify AT&T, the FCC acknowledged the enormous changes and increased competition in the long-distance market. New data presented to the FCC in April, showed an estimated 458 long-distance carriers in the United States. An updated study showed that due to technical advances, AT&T's competitors have



Pat Russo

solution for customers who face the costs and complexities of managing separate voice and data networks.

A multimedia network can give customers the best of both worlds: the real-time calling, reliability, manageability and superior services of voice networks, and the high bandwidth, store and forward, custom applications and scalability of data networks.

Customer Input Crucial

For the past year, GBCS worked closely with its 12-member customer advisory council as it developed the server and kept attuned to challenges facing customers. "We've designed the MultiMedia Communications eXchange Server from the ground up based on their input," said Karyn Mashima, vice president, Advanced Multimedia Communications Systems.

The server has an open architecture that allows it to be used with routers, hubs and switches from a wide range of vendors.

"Our multimedia solutions are based on our strengths in real-time switching, advanced call processing, messaging, enterprise-wide networks and network management," Russo said. "We are well on our way to creating a robust, reliable communication networking infrastructure that delivers openness and interoperability in multi-vendor environments."

To ease the transition for customers into multimedia networks, integrated offers will be created and provided under the family name of BusinessWorks Solutions. GBCS formed a new organization supported by more than 650 people to find the right combination of products and services for customers, not just sell product features and capabilities.

Initially, the new organization will provide integrated solutions in three areas: customer sales and service, conferencing and collaboration, and distributed and mobile work forces.

Aiming to establish a global presence for its multimedia network, GBCS is establishing six world-class service centers that will be a key part of GBCS's expanding management and support services. The centers are in Denver; Coral Gables, Fla.; Largo, Fla.; Budapest, Hungary; Singapore; and Farnborough, England. ■



From left, Judy Argentieri, Chuck Ward, Judy Arenstein, Jim Spurlock have a reason to smile. On Oct. 12, the FCC ended years of price restraints on AT&T. The foursome was part of a 18-month effort to show the FCC that AT&T is no longer a dominant carrier.

enough excess network capacity to quickly absorb one-third of AT&T's customers' usage if the company were to price its long-distance services above competitive rates.

Some consumer groups expressed concern that removing price restrictions on AT&T would mean increased rates for low-income and low-volume customers. AT&T volunteered to offer special calling plans—

"safety net programs"—for low-income and low-volume customers.

Chuck Ward, director, AT&T Law and Government Affairs, was one of the many people who worked on AT&T's filing for reclassification. For him, the FCC decision brought satisfaction and pride in a job well done. But in some ways, it was also anticlimactic. Says Ward, "It was long overdue." ■

Leadership Team Face Challenges

continued from page 1

their new roles early in 1996, before the initial public offering for approximately 15 percent of the new company's shares. In the meantime, Schacht will begin working with McGinn and the leadership team for the new systems and technology company.

The Schacht and McGinn team has been favorably regarded by the media and analysts. *The Wall Street Journal* said, "Mr. Schacht will have to steer AT&T's equipment business through some difficult obstacles during coming months, a job for which he seems well suited ... (he) can count on expert assistance from Mr. McGinn, himself a highly

respected executive who has done a remarkable job of leading AT&T's network-equipment business through a difficult period."

Allen expressed great confidence in the team-up of Schacht, an AT&T board member for 14 years, and McGinn, who joined Illinois Bell in 1969. "They know how to build on AT&T's past successes and prepare for global competition for the opportunities of the 21st century," he said.

The "New" AT&T

When the restructuring is completed in January 1997, Mandl will become the first AT&T president since 1988, when Bob Allen

vacated the office to assume the chairmanship. The functions normally performed by a president have been fulfilled by the heads of the company's business groups and regions, who have worked together as the Global Operations Team.

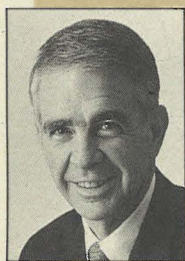
Allen emphasized that "a good deal" of the work has to be completed during the next three to four months.

Until the completion of the restructuring, Mandl will continue as the operating head of the core business that will form the new AT&T communications services company. In announcing the appointments, Allen said, "On a personal level, I feel very strongly that this is the right team to deliver on the promise of the global opportunity faced by each of the companies that will emerge from this restructure." Wall Street seemed to echo his sentiments, sending AT&T shares up \$1.75, to close at \$63.875 on the New York Stock Exchange on the day of the announcement.

Allen also elaborated on the substantial work that remains to be done before the December 1996 restructuring deadline, such as the initial public stock offering for the new systems and technology company. Rather than having 15 months to complete the work, he emphasized that "a good deal" of the work has to be completed during the next three to four months.

A top priority of both top management teams is identifying and filling key positions in the companies, said Allen. Noting the anxiety among employees, he stressed that the goal is for all AT&T people to learn their employment status definitively by January 1996. This will eliminate concerns and enable everyone to continue meeting the company's customer and financial commitments.

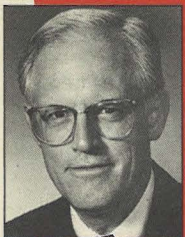
On the often-discussed issue of a name for the new communications systems and technology company, Allen was optimistic. "We even hope to have a name for the new company by the end of the year," he said. ■



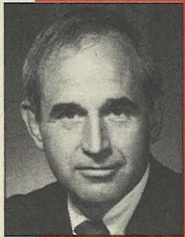
Bob Allen, Chairman and Chief Executive Officer, Communications Services (AT&T) Joined Indiana Bell in 1957 ... held senior-level positions at a number of Bell Operating Companies, including, chief operating officer, Illinois Bell and president and chairman, Chesapeake and Potomac Telephone ... became vice president and chief financial officer, AT&T, in 1983, chairman and CEO, AT&T Information Systems in 1985, and president in 1986 ... named chairman and CEO in April 1988 ... graduated from Wabash College ... Says *Business Week*, "Bob Allen's number should be 1-800-GUTS. He has turned AT&T into a big risk-taker ..."



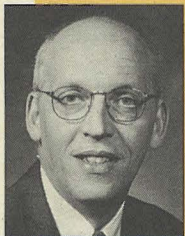
Alex Mandl, President and Chief Operating Officer—Designate, Communications Services (AT&T) ... Named CEO, Communications Services Group in 1993 ... joined AT&T in 1991 as chief financial officer ... was chairman and chief executive officer of Sea-Land Service Inc., the world's largest ocean transportation and distribution services company ... transformed the unprofitable shipping company by decentralizing operations, imposing stringent quality programs and negotiating revenue-producing international deals ... spent 11 years at Boise Cascade Corp. in a variety of financial positions ... holds an M.B.A. degree from the University of California at Berkeley and a B.A. degree in economics from Willamette University. Says *The Wall Street Journal*, "... a reputation for an obsessive focus on growth, relentless cost-cutting, split-second decisions and a brusque impatience with time-wasters."



Henry Schacht, Chairman and Chief Executive Officer—Designate, Communications Systems and Technologies. Retired chief executive officer of Cummins Engine Company, the largest diesel-engine manufacturer in the U.S. ... credited with turning the company around, doubling stock value ... invested in technology, expanded into new markets and upgraded skills of employees ... 31-year career at Cummins included positions as president and board member, and vice president of finance. Member of AT&T board of directors since 1981 ... holds M.B.A. from Harvard Business School and honorary degrees from Yale and DePauw ... Says *The New York Times*, "One of the nation's most prominent executives during the 1980s as he led Cummins in a no-holds barred battle against Japanese imports."



Rich McGinn, President and Chief Operating Officer—Designate, Communications Systems and Technologies. Named CEO, Network Systems Group in 1994 ... started AT&T career 26 years ago as an account executive with Illinois Bell ... held a variety of senior management positions, including president, Asia/Pacific and Americas region; president, AT&T Computer Systems; and senior vice president, Network Systems strategy, sales and customer operations ... holds a bachelor's degree in history from Grinnell College ... Says *The Wall Street Journal*, "Put Network Systems on a strategic plan that helped transform a money-losing behemoth into the industry's most ferocious competitor."



Lars Nyberg, Chief Executive Officer and Chairman, Global Information Solutions. Joined AT&T in May after heading two divisions at Philips Electronics NV, one of Europe's leading electronics firms ... during 20-year career at Philips, held a variety of international sales, operations and managerial jobs, managed the turnaround of the data systems division and served as chairman and chief executive officer of the communications systems division ... holds an M.B.A. from the University of Stockholm.

RESTRU

TRANSIT

Steering

Bob Allen, *Steering*
Hal Burlingame
Marilyn Laurie, *Public Rel*
Rick Miller, *Ch*
John Z

Proj

Operations
Bob Holder

Finance
Maureen Tart
Marilyn Wasser

Capital Corp

Tom Wainert
Chairman and CEO—Leader

Ed Dwyer
Finance

Sara McAuley
Human Resources

Dan McCarthy
Legal

Mani Sadeghi
Corporate Development

Global Information Solutions

Lars Nyberg
GIS Chairman and CEO,
Transition Team Leader

Richard Evans
Human Resources

John Giering
Finance/Administration

Jon Hook
Legal

Systems

Rick
Network
Transition

Human

Strat

Jac

Network

Gen

Global P

Cur

Micro

Car

Nor

Hom

Global Marketing

F

Bill

Intern

Pe

Global Business C

Dan

Bell

Steering Committee, Tr

AS AT&T PRESSES FORWARD WITH ITS HISTORIC RESTRUCTURING, THE COMPANY HAS established a series of principles, processes and teams that will guide AT&T through the Herculean task of transforming itself into three distinct companies. Several teams of policy makers and subject matter experts are hard at work establishing timetables and processes and doing the work needed to ensure a smooth, efficient transition.

Here are some of the major milestones planned: By year-end 1995, each new company will know its structure and have staffing plans (see related story, page 7). By the end of January, people will be told their individual job status. By the end of March, there will be a public offering of about 15 percent of the stock in the new systems and technology company, signifying its separation from AT&T. Distribution of the remaining stock to AT&T shareowners is scheduled for September. The 1996 timetable for GIS's spin-off has not yet been determined.

Here's a rundown of who's doing what:

Alex Mandl, Rich McGinn and Lars Nyberg head transition teams for their new companies. These teams will ensure that each new entity has the assets, systems, personnel and capabilities required to operate as individual companies.

Bob Allen chairs the Steering Committee charged with overseeing the transition and resolving conflicts. The committee will set the goals and framework for the breakup as well as supervise and be accountable for the overall restructuring process, including allocation of balance-sheet resources. The committee is composed of Marilyn Laurie, senior vice president, Public Relations and Employee Information; Hal Burlingame, senior vice president, Human Resources; Rick Miller, CFO; and John Zeglis, senior vice president and General Counsel.

Supporting this committee is Bob Holder, vice president, Corporate Strategy, who's being

Sept 20:
Allen announces
restructuring

Oct. 12: Allen
names top executives
of three companies

Early November: HR
staffing guidelines
announced

Nov. 15: Companies will
have preliminary sense of
business plans, structure
and division of assets.

During December: Initial
employee assignments
will be made.

Committee Chairman
Human Resources
Business & Employee Information
Financial Officer
Legal

Human Resources

Miriam Graddick
Don Harrington

Communications

Bill Oliver

Technology

Ginn
Systems CEO,
Team Leader

Communications Services (AT&T)

Alex Mandl
Communications Services Group CEO,
Transition Team Leader

Support Functions

Business
Resources and
Forum
Product
Development Systems
Manufacturing
Networks
Marketing
Finance
Operations
Sales, Consumer
Products
International Regions
Special Systems
Telecommunications
Systems
Telecommunications
Systems
Telecommunications
Systems

Mark Baker
Global Strategy and Planning
Jim Carroll
Real Estate
Alan Jones
Chief Information Officer
Bill Ketchum
Human Resources
Jim Kilpatrick
Law/Government
Dick Martin
Public Relations
Judy Page
Purchasing
Don Peterson
Finance
Jim Zucco
Research and Development

Dick Bodman
Corporate Strategy and Development
Hal Burlingame
Human Resources
Dan Carroll
Global Purchasing
Marilyn Laurie
Public Relations
Rick Miller
Finance
Vic Pelson
Global Operations
Dan Stanzione
Bell Laboratories
John Zeglis
Law and Government Affairs

Transition Teams Named

helped by four restructure project teams. Their job is to develop guidelines for the businesses and support functions to use in redistributing AT&T's various assets among the three new companies, and to guide the transition process and keep it on schedule.

The four project teams are:

Operations—deals with divvying up buildings, systems, functions, intellectual property and other assets. Bob Holder serves as head of this team and as leader of all four project teams. Roger Davis, vice president, International Finance, and Marc Manly, Law vice president and Solicitor General, support the team by assuring that restructuring plans meet financial and legal requirements.

Finance—deals with financial issues, such as preparation of the initial public offering (IPO) for the systems and technology company. This team is headed by Maureen Tart, vice president and Controller, and Marilyn Wasser, vice president, Law and Secretary.

Human Resources—deals with staffing, benefits and compensation issues and support mechanisms. Miriam Graddick, vice president, Executive Development and Multimedia Products Group Human Resources, heads a subteam charged with staffing, redeployment and force management issues; Don Harrington, senior vice president, Benefits, Compensation and Systems, heads a subteam that deals with benefits, compensation, pensions and related matters; Joe Romano, vice president, Health Affairs, heads a subteam responsible for medical benefits; and Bill Ketchum, vice president, Labor Relations, leads a subteam overseeing labor issues.

Communications—deals with communications about restructuring to people within and outside the company. It's headed by Bill Oliver, vice president, Public Relations and Employee Information. ■

Guidelines for Staffing, Severance Offer Outlined

Hal Burlingame, senior vice president, Human Resources, recently informed AT&T executives of both the selection and staffing guidelines to be used for the restructuring and of changes in the Force Management Program. The following update is based on that communication.

NO PART OF AT&T'S CURRENT restructuring is more important than the task of selecting and assigning people to our new businesses.

While most employees in business units will follow their work and not be directly affected by the changes, selection and staffing guidelines are now in place for the common support function organizations, for example parts of Bell Labs core functions, Corporate Information Technology Services, the Chief Financial Officer organization, Human Resources (HR), Global Real Estate, Public Relations, and Law/Government Affairs. Other organizations that will be impacted by the restructuring can also use the guidelines.

Even if you are not affected, this update will inform you of these selection and staffing guidelines, as well as recent changes in the Force Management Program (FMP), that will apply to many of your AT&T colleagues as the restructuring goes forward.

However, keep in mind that—in those organizations that use them—these selection and staffing guidelines apply only to U.S.-based management employees who are covered by the AT&T Management Pension Plan. (They do not, for example, apply to managers in Global Information Solutions, Paradyne or AT&T Capital Corp.)

Changes in occupational staffing, where needed, will be guided by existing labor contracts for represented employees. For non-represented occupational employees, the applicable policies and procedures will apply. Except as noted below, employees outside the United States will be staffed through processes that accord with the laws of the country where they work.

Overall, four principles will steer decision-making through the restructuring:

1 Actions will be guided by Our Common Bond values.

2 The commitment to diversity in our workforce, to enhance our ability to compete, remains as strong as ever.

3 Processes guiding all actions will be monitored to provide equitable and consistent treatment of people.

4 Guidelines for the selection and assignment of people are based on the requirements of the new companies.

Each company will be designed and sized to meet its future business requirements. The selection process will support the equitable distribution of talent among these businesses.

Four general guidelines will be applied to staffing decisions:

1 All existing labor agreements will be honored. Such agreements will guide staffing decisions regarding represented occupational employees. Staffing decisions regarding non-represented occupational employees will be carried out in accordance with applicable policies and procedures.

2 AT&T people worldwide will generally follow their work—when it is consistent with the design and staffing requirements of the companies and applicable collective-bargaining agreements. Outside the United States, the HR leader for each country will communicate country-specific staffing decisions.

3 Movement into and across the businesses will be tightly tracked and managed, in sequence with key business events.

4 Wherever applicable, we will use new organizational models designed to strengthen the capabilities of the new companies.

Common Support Functions

Five additional selection guidelines will apply to those common support functions in which work will be divided among the new businesses, or may be displaced or eliminated by the restructuring.

1 Reassignment of people will not occur until after the business model and organizational design

of the companies have been established and communicated. The new companies will design the common support functions based on recommendations of the functional and new business leaders.

2 Structured resumes will be completed by employees in common support functions. They will be based on a standardized set of functional requirements geared to the needs of the new businesses.

3 Functional managers will assess the skills and knowledge of members of their organizations.

4 Roundtables made up of functional managers will review employee resumes and skills assessments to assign employees to the new companies.

5 International employees will be equitably redeployed by the HR team, in cooperation with company, regional and functional leaders, and in accordance with the local laws of each country.

These five guidelines can also be applied in any business unit or division, as appropriate.

Notification of Status

Those employees going through the selection process, will learn of either their work assignment or their surplus status by January 1996. Between now and then, managers may communicate the status of the process, the size of the restructured organizations and the functions to be performed. Specific job assignments should not be communicated until after the recommendations of the roundtables are reviewed and accepted, and the assignments will not be final until January.

Surplus employees will be supported by:

1 Priority consideration for any open jobs across the companies, with placement based on skills, knowledge, experience and individual flexibility (for example, mobility and/or willingness to change career direction).

2 Limited promotions and external hiring (including college and market hires) based on critical skills and business needs. see VOLUNTARY, page 11

First quarter, or soon after: About 15% of systems and technology company's stock to be sold; company begins operating with separate shareowners and board.

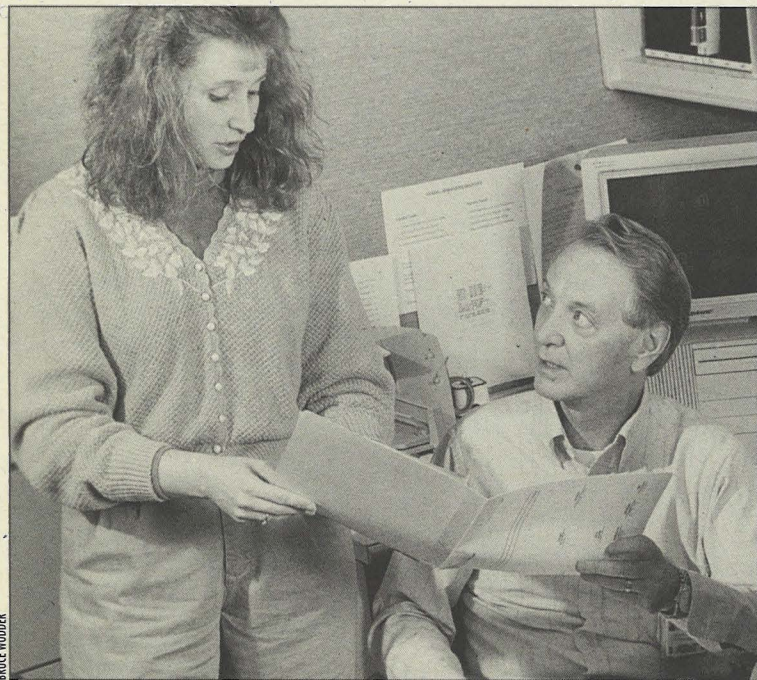
Target date for completion of restructuring

January: All people informed of job status; three companies begin to operate in new mode; begin to transfer assets and people.

Jan. 31: Target date for IPO submission to SEC

RESTRUCTURING

Callers Need To Know, Hot Line Gets Answers



Answering employees' questions about restructuring and tracking hot topics is the job of staff supervisor Kari Thomas, standing, and executive assistant Ray Sutherland.

BY TOM SAVONICK

"If you are an employee and would like to leave a message about restructuring, please press 2."

AND LEAVE MESSAGES they did. In the first week after AT&T TODAY published restructuring hot-line numbers, more than 2,000 employees responded via telephone, fax or e-mail. "At its peak, the volume was more than 100 calls an hour," said Don Mergner, staff supervisor, Chairman's Executive Response Center (CERC) in Basking Ridge, which fielded hot-line calls. "That's at least twice the number of calls we receive on a normal day."

But, there were few normal days at the CERC following the Sept. 20 restructuring announcement. The staff expected a flood of commentary, and got it.

"We upgraded our phone system with a new switch and expanded our AUDIX to allow more simultaneous-call capacity," said Kari Thomas, another CERC staff supervisor. "Anticipating the volume, we brought in volunteers from other Public Relations organizations to handle calls. To allow people all over the world a chance to call, we expanded our hours of operation, working from 8 a.m. to midnight. Managers worked 12-hour shifts and our support staff had to be very flexible. In the end, though, it was worth the effort. We know the hot line helped many people feel connected to the information they wanted."

"What About My Pension?"

What most people wanted were reassurances and a chance to be heard. Foremost topics were

"Will there be an early retirement package?" Don't put a down payment on a Florida condo just yet. Any speculation on special retirement packages is unfounded. "We will use the tools that we already have to support people in surplus situations in leaving the company," said Hal Burlingame, senior vice president, Human Resources. There are no plans, he added, for special packages to encourage employees to leave the company. Employees also wanted information about other benefits, including stock purchases, long-term savings plan and long-distance toll concession. The rule of thumb is:

Benefits will not change materially. Specific answers for the high-interest items are:

- Details of the Initial Public Offering of stock in the new equipment company are still being hammered out.
- Each of the three companies will have a long-term savings plan similar to the current AT&T plan.
- The toll concession will likely continue for employees of the new services company, but will be unavailable at the systems and technology company.

"Where Will My Business Unit Be?"

A burning issue for many callers was where they would fit on a revised organization chart. "For the overwhelming majority, the answer is, in the job you're

doing, and probably in the same location," Allen said. "The guiding principle is that people follow their own work." People most likely to be affected immediately by restructuring are those who work in corporate-support functions. Support functions will be divided among the three companies, but will not likely require the current level of staffing.

Many hot-line callers wanted to know how restructuring would affect their ability to move to a new job, or to one of the new companies and whether they could carry their net credited service into a new job. "Service portability will probably be available," Allen says, "although for a limited time."

"Why Not Western Electric?"

Nearly 100 callers wanted to name the newly created businesses. Their top choices? Western Electric for the systems and technology company, and NCR for the computer company.

Callers also wanted to know where the three companies would locate their headquarters, perhaps fearing an extended commute. No

worry. "I'd be surprised if at any time in the short term we would incur the sizable expense of relocating headquarters," Allen said.

Although you needn't worry about moving, you may find your-

What most people wanted were reassurances and a chance to be heard.

self needing answers to other restructuring questions. Good news. The restructuring hot line remains open at the numbers shown below (see "Where to Call"). All questions receive answers, and all comments are incorporated into executive summaries. So if you need an answer, or just want to voice your opinion, call. As they say on late-night TV, operators are standing by. ■

AT&T and CNN Interactive Strike Alliance for Information Services

AT&T NEW MEDIA SERVICES and CNN Interactive announced a strategic multiyear relationship to develop and offer a range of on-line and multimedia information services. The alliance includes broad plans for exclusive business content creation, mutual promotional activities, and the development of new on-line programming and concepts.

CNN Interactive and AT&T New Media Services soon will provide branded business content on the newly announced AT&T Business Network, an on-line information resource for professionals. That content will consist of a variety of in-depth business news and information, and on-line discussions hosted by business and topical experts.

In addition to hosting CNN Interactive content, AT&T Business Network will provide integrated links to CNN Interactive's World Wide Web site, which offers up-to-the-minute news, sound clips and photographs. CNN Interactive also will advise its television viewers that they may access AT&T Business Network for additional CNN Interactive content on business-related topics. The relationship also will involve additional AT&T services as they become available, including AT&T WorldNet Services, an Internet access service.

"Our activity on AT&T Business Network is the first step in what we expect will be a long-

term strategic relationship with AT&T," said Harry Motro, vice president, Interactive and New Business Development, CNN Interactive. "CNN Interactive and AT&T are committed to serving the unique information needs of business professionals. CNN Interactive's activities on AT&T Business Network, as well as the imminent launch of CNN Financial Network on television in late December, are compelling offerings for this audience," Motro said.

"This alliance will bring together the powerful, worldwide leadership of both AT&T and CNN Interactive to create a whole new class of multimedia information services," said Michael Kolowich, president, AT&T New Media Services. "CNN Interactive's business content will significantly enrich the news value and timeliness of the information offered on AT&T Business Network. In addition, we'll work with CNN Interactive to explore additional programming options for a variety of media platforms."

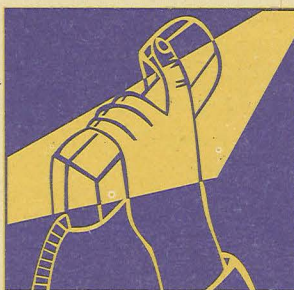
The information provided by CNN Interactive on AT&T Business Network will be offered as part of the core AT&T Business Network subscription package, and will debut in mid-November.

Those interested in signing up for or receiving more information about AT&T Business Network may call 800-660-2299 or visit the AT&T Interchange Web site (<http://www.ichange.com>). ■

WHERE TO CALL

To speak to an executive assistant, call the following 800 number between 8 a.m. and 5 p.m. EST. International employees should use the international number shown below. During other hours, you may leave an Audix message, or send a fax or e-mail.

In the United States: 800-336-6939
International: 908-204-2145
TDD: 800-648-0340 Fax: 908-204-4816
E-Mail: attmail@cerc



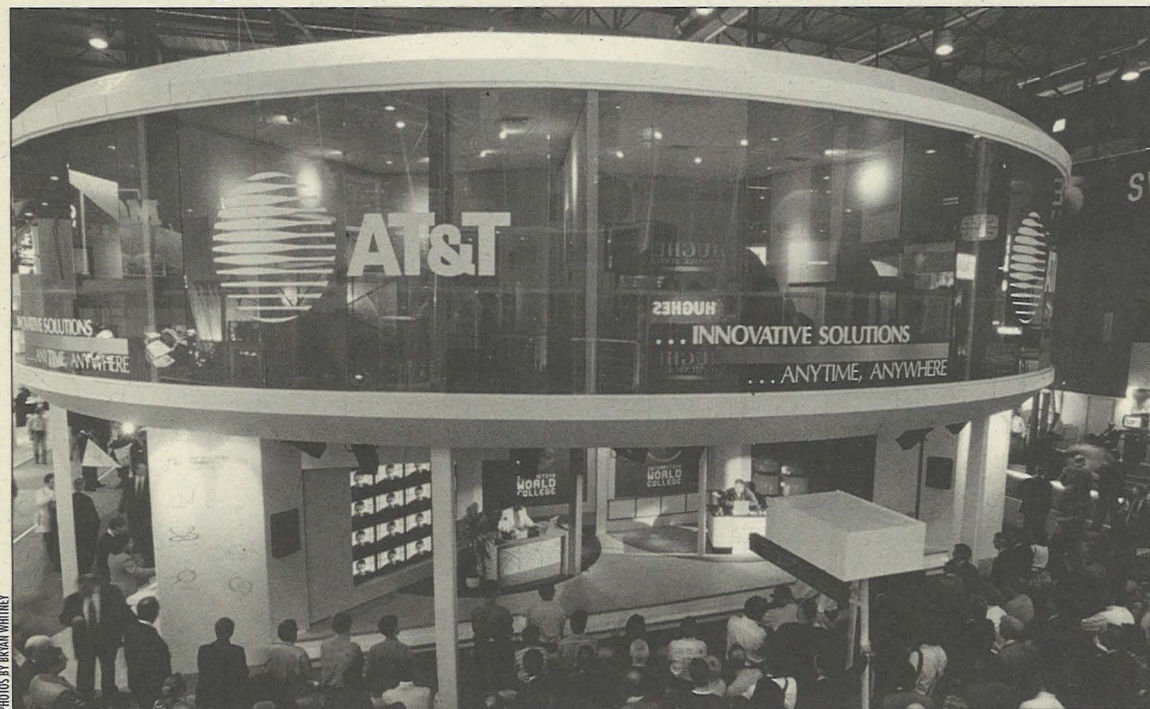
WHAT DID THEY ASK?

Hot-line callers wanted to know everything from broad business issues—Will the new companies face the same MFJ constraints?—to personal concerns—If I'm laid off before I reach my 30-year anniversary, do I still get my ring? But, some issues kept coming up. Following are the ten top issues among restructuring hot-line callers:



- 10 The Alliance, EEO and affirmative-action programs
- 9 union contracts
- 8 organization of new companies
- 7 new names for spinoffs
- 6 service portability
- 5 layoffs
- 4 job transfer and "the freeze"
- 3 benefits
- 2 stocks, including ESOP
- 1 And the number-one issue is: pensions and retirement

AT&T Restructuring Captures Spotlight at Telecom '95 Show



Hundreds of conference attendees visited the AT&T Interactive Theater, above, that used video and live actors to create a global, virtual reality business conference. Below, Telecom visitors check out Video Multimedia Solutions, one of five technology areas that showcased AT&T's products and services.

BY ANNE WAINSCOTT

IF TRADE SHOWS WERE sporting events, Telecom '95 would be the Olympics of telecommunications trade expositions. The quadrennial event drew more than 150,000 exhibitors, equipment buyers and industry executives from around the world. Between Oct. 3 and 11, they jammed the exhibition halls of Geneva's Palexpo to show off or see the latest in telecommunications equipment and services, and to meet with customers or suppliers.

Center Stage

AT&T took center stage at the exhibition, which opened just days after the announcement that the company would split into three separate entities. At a standing-room-only press conference, AT&T Chairman Bob Allen said that all three companies would continue AT&T's commitment to globalization, and reiterated the company's support for open markets.

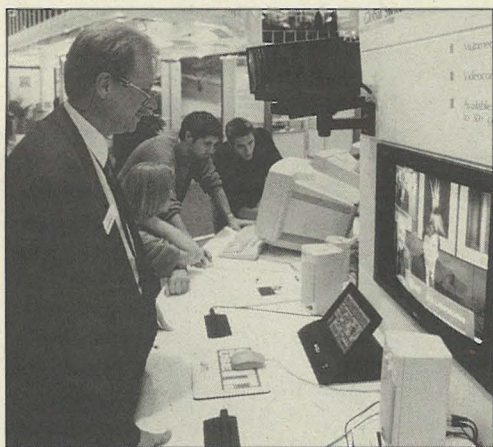
"The winners in the global telecommunications market will be those providers and public policy makers who commit to meeting customer expectations, rather than clinging to a monopolistic model whose time has passed," Allen said. "But, wherever public policy is shackled by habit, timidity and short-term self-interest, customers and providers alike will be denied the full benefits of the information age."

Joining Allen were other AT&T leaders: Lars Nyberg, Global Information Solutions; Alex Mandl, Communications

Services Group; and Rich McGinn, Network Systems Group.

Five Technology Areas Featured

During the show, AT&T unveiled several new products and services, including Network Systems Group's *AirLoop* wireless local loop system, which provides local loop service in areas where service providers are looking for a competitive alternative to laying cable (see "Key Offerings Announced at Telecom '95").



Tim Fitzgerald, engineer with NSG's Wireless unit in the United Kingdom, said the product generated strong interest not only from international state-owned service providers but also from an emerging group of secondary operators, who hope to capitalize on the liberalization of the European telecom market.

AT&T's two-story exhibit featured an Interactive Theater and products and services from five technology areas—Video Multimedia Solutions, Integrated Networks Solutions, Global Services Solutions, Wireless Mobility Solutions and Customer

Care Solutions. A sixth exhibit area, AT&T Bell Laboratories Innovations, highlighted Bell Labs' leadership role in research and development. Conference rooms for customer meetings were set up on the second story.

The Interactive Theater, which showcased AT&T capabilities in two multi-image presentations, served as a magnet for exhibit-goers, with 11,000 people visiting the theater during the show. The first presentation illustrated Bell Labs' history and innovative research from 1925 to the present. The second presentation used a combination of video and live actors to create a global, virtual reality-style business conference.

Business units and divisions represented in AT&T's exhibit included Network Systems Group, Bell Laboratories, Wireless Services, Business Communications Services, Global Business Communications Systems, Paradyne, Consumer Products, Global Information Solutions and Submarine Systems.

Several Bell Labs researchers delivered papers and talks, including Arno Penzias, vice president and chief scientist, and Jack Sipress, chief technical officer and senior vice president, Research and Development, AT&T Submarine Systems. Summarizing messages from his newest book, "Harmony," Penzias said that the solution to society's communication challenges lies in the huge task of harmonizing all its new-found technology with user needs,

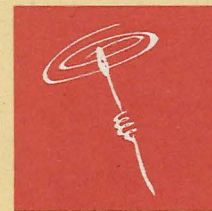
See *PRODUCTS*, page 10

Key Offerings Announced at Telecom '95

BY OLLIE HARTSFIELD

AT&T took advantage of its presence at Telecom '95 to announce products and services for global markets and business agreements.

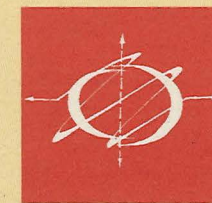
Network Systems Group (NSG) unveiled a digital wireless system for delivering basic and advanced telephone services from central offices to homes and businesses. Called the AT&T *AirLoop* wireless local loop system, the system is an alternative to conventional copper wire loop systems. NSG is banking that the system will appeal to service providers in new and developing markets like Asia and the Middle East that often can't install traditional copper wires quickly and economically enough to meet the demand. Because *AirLoop* doesn't require laying cables, the costs associated with installation and maintenance of the local loop are drastically reduced. The system will be available in April 1996 in markets outside the United States.



AT&T announced it will collaborate with six of the world's leading telecommunications service and technology providers to develop interoperable global multimedia services. Joining in the effort will be service providers Deutsche Telekom, NTT, Telstra and Unisource, as well as technology providers Lotus and Novell. AT&T has a dual role as both technology and service provider. As part of this effort, AT&T will license to telecommunications service companies three multimedia services—AT&T *Network Notes*, AT&T *NetWare Connect Services*, and AT&T *WorldWorx Solutions*. Lotus and Novell also will license technologies.

AT&T and the six other companies will also establish the Multimedia Services Affiliated Forum to promote and maintain open, common standards for service, network security and operations, and integrated customer support systems.

NSG will play the leading role in the modernization of the national telecommunications network in the Republic of Kazakhstan. NSG was chosen to assist Kazakhtelecom, the national telephone company, with its plans to build an advanced telecommunications network. The two companies will conduct a joint feasibility study to determine how best to increase teledensity, improve efficiency and innovation, deliver services and generate revenue.



NSG introduced new software that takes some of the complexity out of managing Synchronous Digital Hierarchy (SDH) networks. The software, called the Integrated Transport Management (ITM) Network Module, simplifies the process of monitoring and provisioning SDH network traffic by giving network operators a "map" of their entire network, and allowing them to manage voice and data traffic from a single computer workstation. With the software, network managers can increase the speed of service delivery and reduce errors. The ITM Network Module is being deployed during the next six months with customers in China, Saudi Arabia and Russia. A version of the software is planned for SONET (Synchronous Optical Network) by the end of 1996 and ATM (Asynchronous Transport Mode) networks in 1997.

NSG unveiled another wireless product: the Speech Transcoding Frame 2000 (STF 2000), a speech transmitter and encoder (transcoder) designed for wireless base stations that support the GSM (Global Systems for Mobile Communications) standard. GSM is a commonly used wireless standard in Europe. Speech transcoders compress incoming digital signals so the signals use less bandwidth, significantly increasing the number of wireless calls that can be made on one cellular channel. Developed by AT&T Bell Laboratories, the STF 2000 will be available to GSM wireless service providers by the second quarter of 1996, with field trials scheduled for first quarter of 1996.

Global Business Communications Systems announced the global availability of two products: *Intuity AUDIX* multimedia messaging systems and *DEFINITY* PC Console attendant. The *Intuity AUDIX* system is a high-quality voice and fax messaging system that allows customers to attach a voice message to a fax message, and to hear both voice and fax messages. The *DEFINITY* PC Console attendant incorporates Windows™ software to let operators see more information on the screen at once, and to sort that information instantly. Operators can log into one of four languages provided with the system, or to other languages that can be easily added. ■

Operating Profits Reach All-Time High

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said Chairman Bob Allen. The company said additional charges may be necessary in the future as decisions are made about AT&T's ongoing restructuring.

Overall, AT&T reported third-quarter revenues of \$19.7 billion compared with revenues of \$18.65 billion in the same period a year ago. Net income was \$262 million, or 16 cents per share, compared with \$1.05 billion, or 67 cents per share, a year ago. Net income in the third quarter of 1994 reflects non-recurring expenses and charges associated with the McCaw Cellular merger that lowered earnings by about \$230 million, or 15 cents per share.

The revenue increase in the quarter was attributed to growth in usage of long-distance and wireless services, as well as higher revenues from financial services, microelectronics components and business telephone systems.

Services Revenues Jump

In telecommunications services, revenues jumped by \$813 million, or 7.2 percent, to reach \$12.09 billion. Long-distance calling volumes climbed 8.6 percent. The profit margin in telecommunications services—revenues minus costs—was almost 46 percent, 2.5 percentage points higher than the year-earlier quarter.

"Despite the competitive



Earnings reflect \$230 million one-time expenses and other non-recurring charges related to the merger with McCaw. * Charges related to GIS cost-cutting initiatives reduced earnings by \$0.74 a share.

pressures, we saw revenue growth in most major segments with particular strength in business inbound and consumer international services," Chief Financial Officer Rick Miller told analysts.

AT&T Wireless Services, (McCaw Cellular), posted a 28 percent increase in revenues to \$758 million. Cellular service subscribers increased by 38 percent year-over-year to nearly 5 million.

In products and systems, revenues rose 1.5 percent to \$5.14 billion. Sales of communications products, including business phone systems and consumer equipment, climbed 16 percent for revenue gains of \$175 million. Revenues from business equip-

ment sales were strong and there was solid growth in international sales. Sales of microelectronics components set a quarterly record.

Network Equipment Sales Sluggish

Revenues from network telecommunications equipment were lower by 6 percent. The company cited deferred capital spending by some telephone companies, delayed decisions about which technologies would best meet customers needs, and, in some cases, reluctance to give business to a strategic competitor.

Pending federal legislation would set conditions for opening up the local network to competition and for Regional Bell Operating Companies (RBOCs) to enter the long-distance market.

Miller told analysts that the decline in Network Systems Group revenues reflected continued softness in sales to the RBOCs. "We expect that the AT&T strategic restructuring will improve our relationships with these customers and change this trend," he said.

Computer product sales were up more than 2 percent and overall revenues for GIS, including sales to other AT&T units, increased nearly 3 percent to \$2.03 billion. Total revenues increased 8 percent if the since-sold GIS microelectronics business is excluded from the year-ago quarter.

Allen said that under the direction of Lars Nyberg, GIS is moving rapidly to complete its restructuring, implement cost-cutting, improve profitability and launch new products.

In financial services, revenues were up by \$142 million, reflecting higher revenues from AT&T Universal Card Services, with nearly 17 million cardmember accounts, and from AT&T Capital Corp.

Excluding the GIS charge, costs rose 4.9 percent and declined as a percent of revenue for the quarter. Excluding charges in both quarters, expenses rose 6.4 percent and stayed relatively flat as a percent of revenue.

Again excluding charges, operating income increased 7.3 percent over the same year-ago quarter to \$2.4 billion. Net income without charges was \$1.43 billion in the third quarter compared with \$1.28 billion a year earlier.

"Overall the company is moving in the right direction, especially on cost control," said Frank Governali, an analyst with CS First Boston Inc.

For the nine months ending Sept. 30, revenues were \$57.48 billion, a 6.5 percent increase over the \$53.98 billion in the same period a year earlier.

Net income was \$2.81 billion, or \$1.77 per share, compared with \$3.37 billion, or \$2.16 per share, in the same nine months of 1994. Without the charge, net income in the most recent period would have been \$3.99 billion, or \$2.51 per share. ■

Voluntary Package Explained

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External hiring will occur only after a thorough effort has been made to match internal candidates who either possess the skills required to perform the job or can acquire the needed skills in a reasonable period of time.

3 Management of external contingent workers (such as contractors and agency temps) in a way that both minimizes impact on AT&T employees and meets the needs of the new companies.

4 An enhanced set of resources and tools will be available to assist surplus employees in moving to new careers, either inside or outside AT&T. This will include a revised FMP that continues to offer both voluntary and involuntary phases.

Force Management Changes

New FMP components are now available to assist U.S.-based management employees, in levels A through D, who are covered by the AT&T Management Pension Plan. (The following is a summary of these plan changes. Of course, managers should refer to the FMP plan itself for full details of its terms and conditions.)

Key changes have been made to the FMP to:

1 Improve employee benefits in both the voluntary and involuntary phases and adopt a common "pay-out" schedule for both phases.

2 Provide support for employees who either want to pursue educational or career opportunities elsewhere or who might want an earlier retirement.

3 Offer a special voluntary period from Nov. 15 to Dec. 29, 1995 on an organization-by-organization basis, as dictated by the business conditions. Final selection and staffing decisions for the new companies will be made after the number of volunteers is known. Individuals not selected will be declared surplus in January and an involuntary phase will begin at roughly the same time.

Both voluntary and involuntary phases contain a number of changes from previous force management offerings. Following are key elements of the two phases.

Special Voluntary Period

Employees in organizations that offer the special voluntary period will receive a package of information on Nov. 15, 1995. This package will include an individual calculation showing the lump sum payment that will be made to the employee if he or she accepts this one-time offer and signs a form releasing the company of future liabilities.

Employees who are made

this offer will have until Dec. 29, 1995 to decide. Once the employee signs the voluntary offer form, the choice is irrevocable by the employee. If the employee's offer is accepted by the company, the employee will go off payroll Jan. 13, 1996, although some employees may be offered temporary transition assignments beyond that date as business conditions require.

Features of the special voluntary period offer include:

■ A lump sum payment ranging from five weeks to 35 weeks of salary, based on the employee's age and length of service.

■ An additional 20 percent of the lump sum.

■ An added eight weeks of pay to make severance equivalent with the involuntary program, in which surplus employees are expected to go off payroll in March.

■ Extension of company-paid medical benefits and basic life insurance coverage from six months to one year for employees with at least five years of service. (Employees with between one and five years of service will receive an extension from three months to six months.)

■ A new Transition Assistance Fund providing up to \$10,000 reimbursement per employee for such purposes as education, retraining or relocation to a new job outside AT&T.

■ Enhanced Resource Center services, for employees who leave the company either voluntarily or involuntarily, that provide a wide range of individual job search assistance, administrative support, and counseling services.

■ A two-year Special Transition to Retirement for employees who will become eligible for a service pension within two years of their Scheduled Off-Payroll date. Your HR leader will provide details on this offering.

Involuntary Phase

Employees who are notified of their surplus status in January will be offered all the elements outlined in the special voluntary period above except the special eight-week salary payment. They will go off payroll during March 1996.

Unfortunately, this process will result in the loss of many good AT&T people. We plan to conduct this process with care, and offer leading-edge support to help those people—who have been instrumental in helping AT&T achieve its success so far—move on to new careers with the respect and dignity that they deserve.

Employees affected by the selection and staffing guidelines will be hearing from leaders in their organizations in the very near future. Also, *AT&T TODAY* will continue providing updates ■

Net Income Jumps at Capital Corp.

At AT&T Capital Corp., net income in the third quarter jumped 30 percent to \$32.5 million compared with \$25.0 million a year earlier. Total revenues were up 14 percent to \$395.9 million compared with \$348.4 million.

As part of its restructuring announced in September, AT&T said it plans to sell its 86 percent stake in AT&T Capital by the end of 1996. "AT&T Capital continues as AT&T's preferred provider of commercial financing through the remaining term of its operating agreement," said Tom Wajnert, chairman and chief executive officer.

AT&T also plans to execute comparable agreements for its equipment and computer units, which will make AT&T Capital the preferred provider of financing for the three resulting AT&T businesses through 2000 or longer if the agreements are renewed.

Network Systems Is Awarded \$35 Million Wireless Contract

By OLLIE HARTSFIELD

AT&T NETWORK SYSTEMS Group (NSG) won a \$35 million, three-year contract to supply and install a new wireless communications network for SNET Cellular, Inc., a subsidiary of Southern New England Telecommunications Corp. (SNET). The new system will replace an existing Motorola network and will serve customers who subscribe to SNET's Cellular ONE service in Rhode Island and in the Bristol County, Mass. area.

With NSG's AUTOPLEX System 1000, SNET Cellular can give customers improved quality and new capabilities, such as fraud

protection and the ability to use the same phone number for multiple phones.

"AT&T's AUTOPLEX System 1000 best supports the increases in subscriber capacity we'll need for both the near and long term," said Fred Benetto, president, Cellular ONE (Rhode Island and Bristol County, Mass.). Customers also will be able to upgrade to advanced digital services such as code division multiple access or time division multiple access.

Installation is expected to be completed by the end of the year, with cutover scheduled for early 1996. ■



On the newly constructed ramp outside the Janicki home are, from left, Dennis Caron, Carol Ann Janicki, Joe Janicki and Jonathan Caron.

GBCS Employees Ramp Up To Help Neighbor Get Around

BY ANNE WAINSCOTT

WHEN JO CROWE NOTICED a young wheelchair-bound girl down the street from her New Hyde Park, N.Y., neighborhood, she immediately thought the girl would like one of the giant hug-a-bears she and other AT&T Pioneers make to give to children at the scene of fires and other traumatic events.

To Crowe, a Global Business Communications Systems' (GBCS) service coordinator, the girl reminded her of her own daughter, who died several years ago from cerebral palsy. Upon giving the bear to her young neighbor, Crowe learned that the "girl" was actually Carol Ann Janicki, a 37-year-old woman with severe mental and physical disabilities.

"When I met Carol Ann's parents, I noticed the dilapidated ramp alongside their home and thought, there must be a way for AT&T Pioneers to help," said Crowe, who recently transferred to GBCS in Florida.

She quickly began to seek volunteers to fix the ramp. One AT&T employee donated wood and another, GBCS technician Dennis Caron, contributed his time and abilities.

"Dennis spent the first two days of his vacation last August single-handedly building the new ramp in 90-degree temperatures," Crowe said. "He did a fabulous job."

On the second day Caron brought along his son and another teenager. To show her appreciation to Caron and the boys, Crowe treated them to lunch and the two teenagers to Macy's gift

certificates she had received at work. "I wanted to show them that good deeds bring about good deeds."

Crowe noted that the new ramp is wider, sturdier and stronger than the previous ramp, which allows the Janickis to more easily maneuver their daughter's chair around. The Janickis, long-

time AT&T customers who have lived in New Hyde Park for 36 years, had nothing but praise for Crowe and Caron.

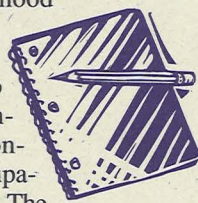
"Dennis and Jo are two remarkable people," said Joe Janicki, Carol Ann's father. "If we had more people like them, it would be a better world to live in. They have big hearts." ■

Applications Now Available For Scholarships

HIGH SCHOOL STUDENTS of active AT&T employees now can compete for scholarships through the AT&T Academic Awards Program.

In its fourth year, the program will grant 140 scholarships, 70 to children of Communications Workers of America and International Brotherhood of Electrical Workers employees and 70 to children of management and non-represented occupational employees. The scholarships of up to \$6,500 per year are awarded based on academic achievement, leadership and community service. The Citizen's Scholarship Foundation of America, a nonprofit organization, administers the program and selects winners.

Applications are available now through Dec. 15, 1995, and must be postmarked by Dec. 31. To obtain an application, call 800-282-2828 or fax your request to 609-639-6346. Please include the following information: employee name, employee Social Security number, business unit, phone number and complete business address. ■



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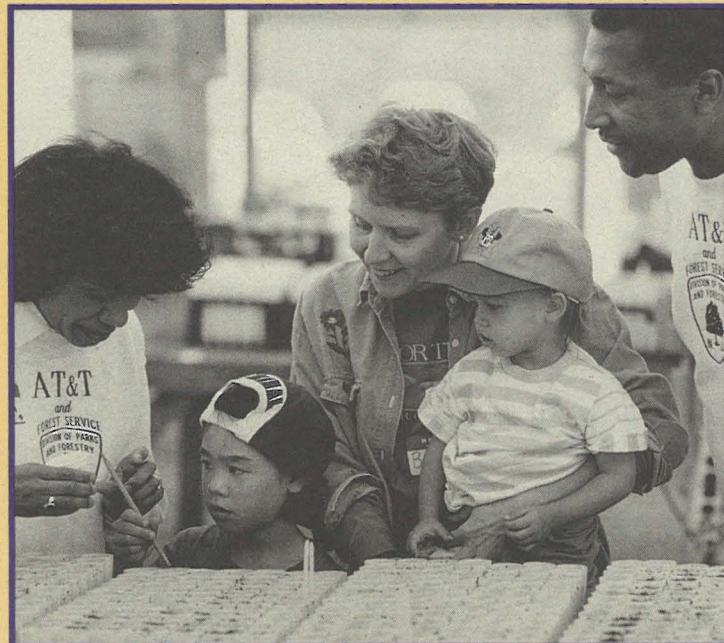
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AT&T New Jerseyans Help Revitalize State Forests



More than 1,000 AT&T employees and their families volunteered their time Oct. 7 and 8, planting nearly 1,700 trees and 25,000 seeds for New Jersey forests throughout the northern part of the state. "AT&T Branches Out" served as the inaugural project of the

New Jersey Community Involvement Council, whose mission is to develop local community involvement plans based on the community's most pressing needs and on AT&T's business priorities.



SEEDS TODAY, TREES TOMORROW

Planting seeds for future trees are, from left, Marta Brown, district manager, IntraLATA/Local Market, Mid-Atlantic Region, CCS, Kana Fong, Betsy Keyack, Kristine Fong and Joe Durham, division manager, Corporate ITS. Brown and Durham are members of the New Jersey Community Involvement Council.